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C O N F I D E N T I A L ANKARA 000326

SIPDIS

STATE ALSO FOR EB - A/S WAYNE, E, AND EUR/SE  
TREASURY FOR OASIA - LOEVINGER, MILLS, AND LEICHTER  
NSC FOR QUANRUD AND BRYZA

E.O. 12958: DECL: 01/14/2008

TAGS: [EFIN](#) [ECON](#) [PREL](#) [TU](#)

SUBJECT: PRESSING TURKEY ON ECONOMIC REFORM: NEXT STEPS

REF: ANKARA 0301

Classified by DCM Robert Deutsch. Reason: 1.5 (b,d).

1. (C) Embassy will continue to deliver the economic reform message (reftel) in meetings with senior government officials, AK Party leaders, and key parliamentarians. In these meetings, we will remind the government that its own bureaucrats (specifically at Treasury) say they need the \$1.7 billion IMF disbursement in February, so there is no time to waste. We expect IMF Deputy Managing Director Anne Krueger and World Bank Vice President Johannes Lim, who will make separate visits to Turkey later this week, to make similar points to Prime Minister Gul, Deputy Prime Minister Sener, and other top GOT officials. Following these meetings, Embassy will send in its assessment of where the reform program stands along with recommendations on any additional steps we need to consider.

2. (C) The private sector is also pressing the government. TUSIAD (Turkish Industrialists Association) Chairman Tuncay Ozilhan yesterday urged the government to stick to the reform program (septel), and market players tell us they are vigorously sending the same message. GOT officials tell us it was market pressure -- in the form of an unsuccessful Treasury auction -- that led to Prime Minister Gul's announcement of new fiscal measures last week.

3. (C) The possibility of a substantial bilateral U.S. assistance package is a complicating factor, as it creates a clear moral hazard. Embassy has been stressing to Turks (including in the private sector) that any U.S. assistance will be conditioned on, among other things, continued implementation of the reform program and successful completion of periodic IMF reviews. It is critical that we stick firmly to that message.

PEARSON